Policy Brief

June 2012

FREE UNIVERSAL HEALTH CARE IN GHANA

How much it will cost and how to pay for it

What will be the most likely consequence in a restaurant where100 customers have paid for lunch but fewer than 34 have received their food? Chaos and confusion cannot be ruled out. Will the restaurant owner even be seen as fair? Definitely No! Yet this is comparable to what is happening in Ghana's health system today. Every Ghanaian pays for the National Health Insurance Scheme (NHIS) through VAT but the majority remain excluded from its benefits. The NHIS is 70% funded from tax but only 34% are benefiting from the scheme as of 2012. The remaining 66% cannot benefit from the NHIS due to a combination of financial and non-financial barriers imposed by the National Health Insurance Authority (NHIA). This policy brief argues that universal health care free at the point of use in Ghana is affordable and can be paid for without insurance premiums.

Financing universal health care can be achieved from three key sources: savings from reduced inefficiencies, Better and more aid, but primarily improved progressive taxation. These sources, combined with a continued commitment to allocate 15% of total government revenues to health would mean Ghana could increase its spending on health by 200%, to US$54 per capita by 2015.

What will it cost?

There is currently no home grown comprehensive costing estimate of universal and equitable health care coverage in Ghana. It is essential that this is developed. In the interim the recent World Health Organisation (WHO) recommendation for developing countries to spend at least US$60 per capita by 2015 to achieve the health Millennium Development Goals can serve as a guide for Ghana.[1] The total cost based on this recommendation would amount to GHc 2.6 billion or US$1.6 billion in total by 2015.

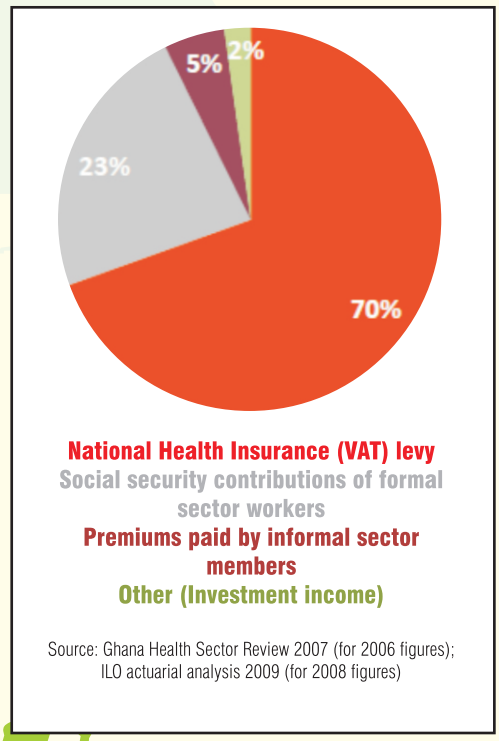
How can we pay for it by 2015?

It is already widely understood that Ghana's NHIS is not financially sustainable. A recent World Bank report noted that the NHIS would go bankrupt by 2013. The Government of Ghana must now explore progressive solutions to raise the needed financing. Two facts are clear: business as usual is not financially viable, and even if the government moves to a single lifetime insurance payment, it will not contribute significant funds to the overall health budget. These issues are explored in turn.

Business as usual is not financially viable

In 2006 the International Labour Organisation (ILO) estimated that, under the current financing arrangements, the NHIS would enter into a deficit situation within the first 4-5 years of scheme operation, especially as population coverage rises.[2] A large part of the problem lies in the way the NHIS is funded. Unlike other social health insurance systems, the NHIS has an income base that is not directly or principally linked to the number of beneficiaries. The vast majority of NHIS revenues come directly from the NHIS levy, which is entirely unconnected to the NHIS membership rate (Figure 2). Deductions from SSNIT contributions are also made, regardless of whether or not SSNIT contributors follow up to get an NHIS card. Exception is the premium paid by informal sector workers, which represented less than 5% of income in 2008. In reality the NHIS is more akin to a tax-funded national health care system, but one that excludes the vast majority of the population.

Figure 2: Funding sources of NHIS in Ghana for 2010



Source: Ghana Health Sector Review 2007 (for 2006 figures); ILO actuarial analysis 2009 (for 2008 figures)

The government-promised single lifetime payment

The government has repeatedly made commitments to move to a one-off lifetime payment. What is clear is that an actuarially calculated single lifetime payment based on the risk of ill health for each individual member would be unfeasibly expensive. The alternative – a one-off fee so low that all could afford – would be a welcome step away from the current system but in practice would contribute very little to the overall financing requirement. Therefore, regardless of whether or not the single lifetime registration fee is implemented, the increase in expenditure required to achieve health care for all will have to be found elsewhere.

What about cost savings?

The WHO estimates that between 20% and 30% of national health resources are wasted due to inefficient and inequitable use. Ghana is no exception. The NHIS is bleeding millions of Ghana Cedis each year due to large-scale inefficiencies, cost escalation, corruption and institutional conflict. The September-December edition of the National Health Insurance Magazine published by the NHIA acknowledged these issues. We have estimated that tackling wastage in the current health system and net gains made from further investment in preventative health could save the Government of Ghana GHc 374 million or US$239 million per year (Table 1).[i] Moving away from a health insurance administration alone could save GHc 131 million or US$83 million each year - enough to pay for 23,000 more nurses.[3]

Table 1: Potential savings that could contribute towards financing universal health care[ii]

Description of potential saving	Estimated savings (GHc million)
Remove health insurance bureaucracy and incorporate remaining relevant functions of NHIA into the Ministry of Health	131
Fraud and leakages	62
Improved procurement of medicines	65
Reduce payment to private providers	54
Family planning and other population activities	18
Preventative health care	44
Total savings per annum	**374**

Additional revenues from fairer taxation

General taxation is the most dependable, progressive and commonly used mechanism to fund the provision of universal health care. Indeed, no low or middle-income country has ever achieved universal access to health care without relying predominantly on tax-based financing. While discussions are underway in Ghana about increasing the NHIS levy to raise additional funds there are a large number of more progressive and as yet untapped tax sources for the government to pursue.

The IMF estimates that tax revenue in Ghana by 2013 will be 26% of GDP, or US$8 billion,[4] with oil revenues making up a large share. We have assumed that this figure remains the same through to 2015. Non-tax revenue (such as royalties for natural resources) we have assumed will reduce slightly by 2015 to 2% of GDP.

These calculations give a total revenue figure for the Government of Ghana in 2015 of 28% of GDP or US$9.1 billion. If the government keeps its promise to spend a minimum of 15% of its revenues on health, this would translate to US$1.4 billion or US$50 per capita for the projected 2015 population of Ghana. Other potential tax-funded sources include spreading sinful taxes on alcohol, junk food, cigarette etc as well as levying at least GHC 2 for all telecommunication subscribers per year. See my article on health financing.

Achieving tax revenue increases of this kind will require concerted government action to address poorly conceived tax incentives, tackle tax avoidance by large firms, and capture resources from untaxed high-income earners in the informal economy. Based on research available some examples of potential components of the increase in tax revenues are shown in Table 2.

Table 2: Examples of options for raising additional revenue to finance free health care for all[iii]

Source of additional revenue by 2015	Estimated amount in GHc million for health *	Estimated amount in US$ million for health*
Oil revenues tax	220	150
Property tax	52	35
Corporate tax	8	5
Forestry	23	15
Royalty tax on mining	15	10
Total	**318**	**215**

*15% of total revenues identified

[i] based on 2009 NHIA expenditure information

[ii] See full report 'Achieving a Shared Goal: Free Universal Health Care in Ghana' for a detailed breakdown of savings calculations (p.47)

[iii] See full report 'Achieving a Shared Goal: Free Universal Health Care in Ghana' for a detailed breakdown of additional revenue (p.49)

The value of More and Better Development Aid

Ghana holds real potential, in the long-term, of self-financing free and public health care for its citizens. However, to realise this potential, continued support from external development partners is required in the medium term. Cutting the quantity and quality of aid to Ghana now would undermine the real development results achieved over the last decade.

Aid for health in Ghana comes through three main channels – general budget support, sector budget support and earmarked grants and loans (Figure 2). Together these amounted to GHc 305 million or US$193 million in 2009.

Long-term and predictable support direct to the government's budget is vital to help build an efficient, accountable and effective public health system. Budget support improves the predictability of aid financing, reduces transaction costs, and helps to deliver real results in health.[5] It is the only type of aid that can be used for essential recurrent expenditure, such as health worker salaries, so is critical for Ghana's health service expansion.

The good news is that Ghana already receives a significant portion of its overall aid as general budget support (GBS). Multi-donor budget support in 2009 amounted to US$525 million or 34.62% of all aid flows to the country[6] It is vital that this level of GBS is maintained. Recent proposals by UK's DFID to dramatically reduce GBS to Ghana are therefore of great concern.[7]

Health sector budget support (SBS) is earmarked to health but allows flexibility for the government to direct the funding to where it is most needed. It is a good alternative when GBS is not possible. Unfortunately, only 19% of aid for health in Ghana is pooled as SBS. The most recent Independent Health Sector Review found that instead aid for health is becoming increasingly fragmented. For example, there were a total of 67 missions in 2008 by donors regarding health – more than one a week.

Donors should work in co-ordination with each other and use Ghana's own systems and procedures wherever possible. Donors should protect current levels of general budget support, seek to increase the amount of sector budget support and keep earmarking to a minimum. We suggest at least 50% of aid to the health sector should be provided as sector budget support by 2015.

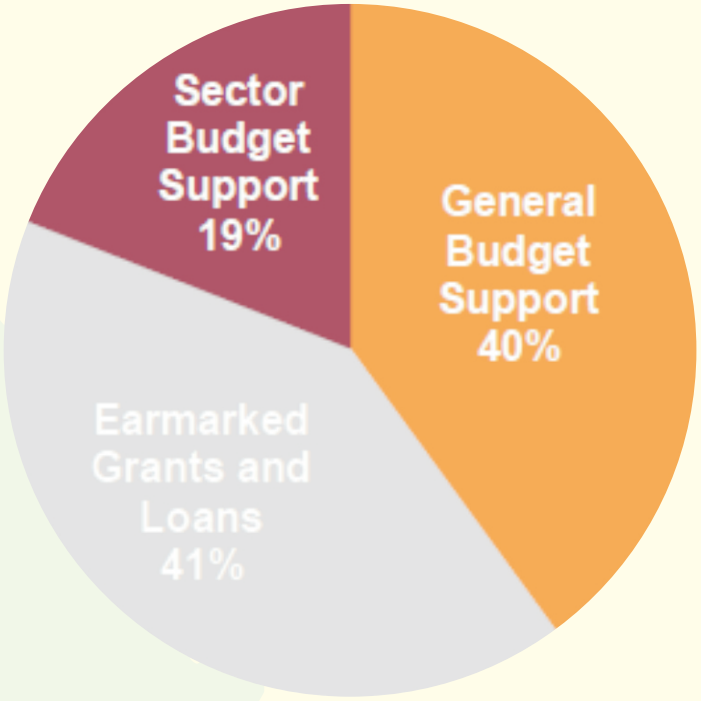


Figure 2: Aid modalities for health in 2009

Total potential government expenditure on health by 2015

Added together taxation, non-tax revenue and grants amount to a total government revenue of US$9.8 billion in 2015, or 30% of GDP. If 15% of this is spent on health as promised by the government of Ghana under the Abuja commitment that would amount to $1.47 billion in 2015 or 4% GDP for health.

In 2015 the population of Ghana will be 27.3 million people. This means that Ghana will be able to spend US$54 per person on health by 2015 (Table 3).

Table 3: Sources of government spending on health in 2015

Source	Total revenue US$	15% allocation to health US$	Per capita health spending US$
Tax and non-tax revenues	8.4 billion	1.4 billion	50
Aid (on budget)	659 million	99 million	4
Total	9 billion	1.5 billion	54

Source: Author's calculations based on IMF figures[8]

CONCLUSIONS AND RECOMMENDATIONS

Every Ghanaian citizen pays for the NHIS through VAT, but as many as 66% remain excluded. This is unfair and unnecessary.

Universal health care free at the point of use is affordable and can be paid for without insurance premiums. We calculate that fairer taxation of Ghana's own resources, particularly from its extractive industries, could yield hundreds of millions of additional Ghana Cedis for health. Investing these resources back in the health of all citizens will lay the foundations for a healthy economy into the future. The Government of Ghana and its external development partners hold the keys to build a universal health care system that delivers for all and is the envy of Africa.

Recommendations for Government

Take action to tackle: ill-conceived tax incentives; tax avoidance and evasion; failures to effectively tax extractive industries; and untaxed high earners

Increase and sustain government spending on health to 15% of total revenues. Aim to spend at least US$54 per capita by 2015 with a time-bound plan to reach the WHO recommended US$60 per capita

Recommendations for external development partners

Continue to give aid to the health sector in Ghana—at least in the interim, maintain current levels of general budget support and ensure that by 2015 at least 50% of earmarked aid for health is given as sector budget support.

Reduce fragmentation of aid and use Ghana's own country systems and processes

Work with the Ministry of Health to improve governance and transparency through publication of financial information and coverage data

Provide sustained technical and financial support to Ghana to improve tax capture from domestic resources and tackle tax avoidance and tax evasion

Recommendations for Civil Society

Act together to hold government to account by engaging in policy development, monitoring health spending and service delivery, and exposing corruption

Continue to build more evidence on the sustainability and feasibility and benefits of tax financed universal health care in Ghana.

This policy brief is drawn from the report 'Achieving a Shared Goal: Free Universal Health Care in Ghana'. It is endorsed by the following organisations: Alliance for Reproductive Health Rights, Essential Services Platform of Ghana, ISODEC and Oxfam International. The full paper is available from www.isodec.org.gh. July 2011.

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[1]World Health Organisation (2010) 'World Health Report: Health systems financing, the path to universal coverage', Geneva: World Health Organisation

[2]ILO/Republic of Ghana (2006) 'Technical Note: Financial assessment of the National Health Insurance Fund', and Yankah, B., and Léger,F. (2004) 'Financial analysis of the national public health budget and of the national health insurance scheme', ILO Discussion paper No. 4

[3]Nurse salaries range between $300-$400 per month http://news.bbc.co.uk/1/hi/world/africa/7490340.stm

[4]International Monetary Fund (2010) 'IMF Country Report 10/178, Ghana' http://www.imf.org/external/pubs/ft/scr/ 2010/cr10178.pdf

[5]According to an OECD assessment of Ghanaian MDBS in 2006 there has been significant increases in health and education spending by the government in part due to the influence of MDBS. In: Lawson, A, Boadi, G, Ghartey, A, Killick, T, Kizilbash Agha, Z and Williamson, T. (2007) 'Joint Evaluation of Multi-Donor Budget Support to Ghana', Overseas Development Institute http://www.odi.org.uk/resources/download/204.pdf

[6]International Monetary Fund (2010) 'IMF Country Report 10/178, Ghana' http://www.imf.org/external/pubs/ft/scr/2010/cr10178.pdf

[7]General budget support will decline from £36 million in 2010/11 to around £10 million in 2014/15, whilst maintaining levels of Sector Budget Support http://www.dfid.gov.uk/ Documents/publications1/op/ghana-2011.pdf

[8]International Monetary Fund (2010) Ibid.

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